GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:353
ANSWERED ON:09.12.2016
Educational Loans
Pandey Shri Ravindra Kumar;Raju Shri Gokaraju Ganga

Will the Minister of FINANCE be pleased to state:

a) whether the Government proposes to review the educational loan guidelines and interest rates particularly for higher education and if so, the details thereof;

b) whether instances of harassment of students by the loan recovery agents engaged by the public/private sector banks have come to the notice of the Government;

c) if so, the details thereof along with the cases filed against such banks/individuals during the last three years and the current year, State-wise;

d) whether the Government/RBI has issued any guidelines in this regard and if so, the details thereof; and

e) the other corrective steps taken/being taken by the Government/RBI to protect the interests of the students and for effective compliance of these guidelines?

Answer

(FINANCE MINISTER)

(a) to (e): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. *353 for answer on 9thDECEMBER, 2016tabled by DR. GOKARAJU GANGA RAJU AND SHRI RAVINDRA KUMAR PANDEYregarding 'EDUCATIONAL LOANS'

Model Educational Loan Scheme prepared by the Indian Banks' Association (IBA) in the year 2001 was circulated to banks for implementation by the Reserve Bank of India in April, 2001. Based on the suggestions from stakeholders and needs of the students, the Model Educational Loan Scheme has already been revised by IBA in August, 2015.

RBI has deregulated the interest rates on loans and advances including that on educational loans and the interest rates are nowdetermined by the banks with the approval of their Board of Directors subject to the regulatory guidelines on interest rate issued by RBI from time to time.

RBI has issued guidelines which permit banks to engage recovery agents for recovery of all loans. Sale of loans to Asset Reconstruction Companies (ARCs) is in line with RBI guidelines and is a part of the strategy of banks to reduce Non-Performing Assets (NPAs) so that blocked funds get recycled and more and more fresh loans can be given to the aspiring and needy students to help them pursue their career goals.Banking Ombudsmen situated across India, receive complaints on various banking related issues. Complaints including any regarding harassment of borrowers by the loan recovery agents engaged by the banks, are resolved as per the provisions of the Banking Ombudsman Scheme.

Government of India provides full interest subsidy on education loans disbursed on or after 1st April, 2009, during the period of moratorium, for the students belonging to economically weaker sections whose parental income from all sources does not exceed Rs 4.50 lakh per annum. Further, Government of India has launched a Credit Guarantee Fund Scheme for Education Loans (CGFEL) for loan uptoRs 7.50 Lakh. The fund provides guarantee to the extent of 75% of the defaulted amount.

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